



ANNUAL REPORT 2019

•	Company name:	Leo Express Global a.s.
•	Registered office:	Prague 3 – Žižkov, Řehořova 908/4, 130 00, Czech Republic
•	Corporate ID:	290 16 002
•	Established on:	8 January 2010
•	Registered with:	Municipal Court in Prague, Section B, Insert 15847
•	Legal status:	Joint stock company
•	Share capital:	CZK 123,461,670

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1 GENERAL INFORMATION

1.1 Primary Business Activities and Ownership Structure

The Group has been principally engaged in providing railway and bus passenger transport. In November 2014, the Group started operating passenger bus transport, which is currently operated in six European countries – the Czech Republic, Slovakia, Poland, Germany, Austria and Ukraine. Since December 2014, the Group has also operated railway transportation in Slovakia and since July 2018 in Poland.

The consolidated financial statements are prepared by Leo Express Global a.s, with its registered office at Řehořova 908/4, Prague 3, Czech Republic.

As at 31 December 2019, it held a majority stake in the consolidating company Leo Express Global a.s. Ing. Leoš Novotný through LEO Mobility s.r.o. (90.74% share) and AAKON Capital s.r.o. (0.46%).

1.2 Year-on-Year Changes and Amendments in the Register of Companies

The General Meeting of the consolidating company Leo Express Global a.s. decided with effect from 13 December 2019 to elect Ing. Leoš Novotný to a vacant post of a member of the Board of Directors. The newly appointed Board of Directors also decided to elect Ing. Leoš Novotný to the position of Chairman of the Board of Directors, with Peter Köhler and Leoš Novotný continuing to be its regular members. At the same time, the General Meeting decided, with effect from 13 December 2019, to remove the current members of the Supervisory Board of Haydn Turner Abbott, Mgr. Ing. Hana Továrková and Mgr. Josef Němeček. Member of the Supervisory Board, Richard Tolmach, also expired on 2 December 2019 term. The new members of the Supervisory Board were elected JUDr. Stanislav Knotek, Mgr. Veronika Kvěch and Mgr. Martin Stříbrný, LL.M.

1.3 Board of Directors and Supervisory Board as of the Balance Sheet Date

	Position	Name
Board of Directors	Chairman	Ing. Leoš Novotný
	Member	Peter Köhler
	Member	Leoš Novotný
Supervisory Board	Member	Mgr. Martin Stříbrný LL.M.
	Member	Mgr. Veronika Kvěch
	Member	JUDr. Stanislav Knotek

1.4 Group Identification

In the following text, the term “Group” is used for the consolidation group. The consolidation group includes controlled entities in which the consolidating company has more than 50% of voting rights. The consolidating company of the consolidation group is Leo Express Global a.s., with its registered office at Řehořova 908/4, Prague 3, Czech Republic. The consolidating company is the part of the Leo Express Group. The structure of the consolidation group is as follows:

Consolidation group structure in 2019

(CZK '000)				
Company name	Leo Express s.r.o.	Leo Express Tenders s.r.o.	SmileCar a.s.	LEO Express Slovensko, s.r.o.
Registered office	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Wolkrova 37; Bratislava-Petržalka 851 01
Share acquisition cost	100	200	1410	135
Equity investment %	100,00	100,00	63,50	100,00
Share capital	100	200	2 222	127
Equity	678 886	-1 464	6 969	25
Profit or loss for the current period	935	-1 704	7 039	1
Retained earnings / accumulated losses brought forward	2 615	-375	-6 159	-103
Total assets	826 648	93 759	12 525	306
Internal share value	679 118	0	4 422	25
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

(CZK '000)				
Company name	Leo Express GmbH	LEO Express Polska Sp. z o. o.	Leo Express Transportation, Inc.	Leo Connect GmbH.
Registered office	Wonnichstr. 64, Berlin, Germany	Warszawska 21, Katowice, Poland	383 King Street APT 1211, San Francisco, CA, 94158, United States	Wonnichstr. 64, Berlin, Germany
Share acquisition cost	705	66	3	640
Equity investment %	100,00	100,00	100,00	100,00
Share capital	635	328	3	635
Equity	-34 375	-28 742	-1 343	635
Profit or loss for the current period	10 579	-15 284	-339	0
Retained earnings / accumulated losses brought forward	-71 449	-13 786	-1 007	0
Total assets	35 576	2 619	44	635
Internal share value	0	0	0	635
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Equity method

On 12 July 2019, SmileCar a.s. 222 ths. registered ordinary shares with a nominal value of CZK 1 per share. All newly issued shares were bought by AAKON Capital s.r.o. The share of the consolidating company in the applicable voting rights of SmileCar a.s. decreased by 7% due to the issue of new ordinary shares. As of July 12, 2019, the consolidating company holds a 63.5% stake in the applicable voting rights of SmileCar a.s.

On 13 September 2019, the consolidation company established a subsidiary, Leo Connect GmbH, with a 100% cash contribution. The consolidating company thus acquired a 100% share in the enforceable voting rights of Leo Connect GmbH.

On 13.12.2019 SmileCar a.s. sold a 25% stake in the applicable voting rights of HoppyGo s.r.o. As a result of this transaction, the consolidating company lost an 18.75% stake in the applicable voting rights of HoppyGo s.r.o., which it held through its subsidiary SmileCar a.s.

Consolidation group structure in 2018

(CZK '000)

Company name	Leo Express s.r.o.	Leo Express Tenders s.r.o.	SmileCar a.s.	LEO Express Slovensko, s.r.o.
Registered office	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Řehořova 908/4, Žižkov, 130 00 Prague 3	Wolkrova 37; Bratislava-Petržalka 851 01
Share acquisition cost	100	200	1410	135
Equity investment %	100,00	100,00	70,50	100,00
Share capital	100	200	2 000	129
Equity	517 311	240	-76	25
Profit or loss for the current period	2 615	-43	-3 804	22
Retained earnings / accumulated losses brought forward	0	-332	-2 232	-126
Total assets	643 893	1 843	5 419	248
Internal share value	517 311	240	0	25
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Full consolidation

(CZK '000)

Company name	Leo Express GmbH	LEO Express Polska Sp. z o. o.	Leo Express Transportation, Inc.	HoppyGo s.r.o.
Registered office	Wonnichstr. 64, Berlin, Germany	Warszawska 21, Katowice, Poland	383 King Street APT 1211, San Francisco, CA, 94158, United States	Řehořova 908/4, Žižkov, 130 00 Praha 3
Share acquisition cost	705	66	3	3 500
Equity investment %	100,00	100,00	100,00	25
Share capital	643	330	3	10
Equity	-45 456	-13 480	-999	3 640
Profit or loss for the current period	-34 566	-11 997	-343	- 13 858
Retained earnings / accumulated losses brought forward	-37 714	-1 920	-659	-12
Total assets	26 180	525	46	10 325
Internal share value	0	0	0	913
Consolidation method	Full consolidation	Full consolidation	Full consolidation	Equity method

On 15 August 2018, SmileCar a.s. bought a 25% share of the voting rights in HoppyGo s.r.o. Since 15 August 2018, the consolidating company holds, via its subsidiary SmileCar a.s., a 17.63% share of voting rights in HoppyGo s.r.o. In the consolidated financial statements prepared by Leo Express Global a.s., the share of voting rights in HoppyGo s.r.o. is measured using the equity method.

1.5 Other

Research and Development

The Group continuously invests in the development of new information technologies that facilitate the customer purchase process and overall travel experience with Leo Express (mobile application, information on delays, etc.). The Group also invests into the development of new train units for commercial and public service operation.

Environmental Protection

The Group strictly complies with all legal requirements relating to environmental protection. In the area of railway vehicle maintenance the Group applies the strictest standards for waste management..

Human Resources

The Group management is aware of the fact that the Groups's success and growth depend on work with human resources. For this reason, the Group places great emphasis on the recruitment of employees and their subsequent development. The aim of employer branding and the subsequent targeted recruitment is to secure an inflow of talent for all departments. Elaborated on-boarding and development make it possible to fully utilise the potential of human resources. Motivating tools on the one hand and the monitoring of the Group's costs on the other lead to an increased efficiency of performance.

Organisational Branch Abroad

The Group has no organisational branch abroad.

Anticipated Development

The Group management anticipates future development in the segment of multimodal public transport. In the area of railway transportation, following the change in the regulatory environment (especially the "Fourth Railway Package" approved by the European Commission), the opportunity for public service transportation will be significantly expanded and the consolidating company and its subsidiaries intend to play an active role on the market in this area not just in the Czech Republic but also abroad.

Development of consolidated profit before interest and taxes and adjustment of asset values

Consolidated profit before interest and taxes and asset adjustment (EBITDA) has developed very positively in recent years. Between 2017 and 2018, the Group managed to reduce its negative EBITDA by almost 90%. In 2019, the Group reported for the first time a positive EBITDA of CZK 78,689 thousand. Between 2017 and 2019, the value of EBITDA increased by 187,357 thousand.

	(CZK '000)		
	2019	2018	2017
Operating profit or loss	180 811	-57 175	-593 849
(-) Sales of fixed assets	540 000	1 622	0
(-) Sales of material	19	0	0
(+) Net book value of sold fixed assets	829 268	2 114	0
(+) Net book value of sold material	0	0	0
(+) Adjustments to values of intangible and tangible fixed assets - temporary	- 438 352	0	438 352
(+) Adjustments to values of inventories	0	0	0
(+) Adjustments to values of receivables	1 363	710	242
(+) Reserves relating to operating activities and complex deferred expenses	3 394	4 642	1 000
(+) Adjustments to values of intangible and tangible fixed assets - permanent	40 612	40 089	45 587
(+) Dissolution of deferred expenses to current period costs due to the extra repayment to the Provider	6 866	0	0
= EBITDA	83 943	-11 242	- 108 668

Acquisition of Treasury Shares

As of the balance sheet date, the consolidating company holds treasury shares of 1,38 %.

Post Balance Sheet Date Event

At the time of preparation of these financial statements, various measures are being adopted in the Czech Republic and globally in relation to the fight against the spread of COVID-19 caused by coronavirus SARS-CoV-2. These measures may have direct or indirect impacts on the Group's future economic situation and related valuation of assets and liabilities in 2020. At the time of government measures to limit the spread of the virus, the Group was forced to temporarily suspend all international connections and also to reduce most domestic connections due to significantly lower demand. Revenues of Group are only a fraction of the standard returns in this period. As it is currently not possible to estimate what measures will be in place and for how long they will be effective, concrete impacts cannot currently be reliably identified. Nevertheless, based on an evaluation of all currently available information, management of the Group considers that the going concern assumption is not immediately endangered and therefore the use of this assumption in the preparation of the financial statements remains appropriate. All relevant information currently available regarding our assessment of the potential impact of the above measures has been disclosed in the financial statements.

In Prague, on 29th May 2020

Ing. Leoš Novotný
Chairman of the Board of Directors of Leo Express Global a.s.

BALANCE SHEET

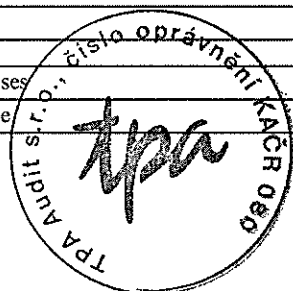
full version

Leo Express Global a.s.
Corporate ID 290 16 002

As of
31.12.2019
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

		31.12.2019			31.12.2018
		Brutto	Korekce	Netto	Netto
	TOTAL ASSETS	555 181	29 721	525 460	600 304
B.	Fixed assets	126 317	27 305	99 012	486 470
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>15 834</i>	<i>10 574</i>	<i>5 260</i>	<i>9 565</i>
B.I.2.	Valuable rights	13 394	10 015	3 379	8 611
B.I.2.1.	Software	13 394	10 015	3 379	8 611
B.I.5.	Other intangible fixed assets	1 576	559	1 017	954
B.I.6.	Prepayments for intangible fixed assets and intangible	864		864	
B.I.6.1.	Prepayments for intangible fixed assets	128		128	
B.I.6.2.	Intangible fixed assets under construction	736		736	
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>110 470</i>	<i>16 731</i>	<i>93 739</i>	<i>475 979</i>
B.II.1.	Land and structures	4 993	2 278	2 715	3 057
B.II.1.2.	Structures	4 993	2 278	2 715	3 057
B.II.2.	Tangible movable assets and sets of tangible movable assets	50 091	14 453	35 638	441 449
B.II.5.	Prepayments for tangible fixed assets and tangible fixed assets under construction	55 386		55 386	31 473
B.II.5.1.	Prepayments for tangible fixed assets	38 483		38 483	28 539
B.II.5.2.	Tangible fixed assets under construction	16 903		16 903	2 934
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>13</i>		<i>13</i>	<i>926</i>
B.III.3.	Equity investments in associates				913
B.III.5.	Other non-current securities and investments	13		13	13
C.	Current assets	192 752	2 416	190 336	100 781
<i>C.I.</i>	<i>Inventories</i>	<i>23 511</i>		<i>23 511</i>	<i>21 275</i>
C.I.1.	Material	22 709		22 709	20 893
C.I.3.	Products and goods	802		802	382
C.I.3.2.	Goods	802		802	382
<i>C.II.</i>	<i>Receivables</i>	<i>109 129</i>	<i>2 416</i>	<i>106 713</i>	<i>66 976</i>
C.II.1.	Long-term receivables	18 010		18 010	3 544
C.II.1.1.	Trade receivables				500
C.II.1.4.	Deferred tax asset	4 478		4 478	3 044
C.II.1.5.	Receivables - other	13 532		13 532	
C.II.1.5.2.	Long-term prepayments made	13 532		13 532	
<i>C.II.2.</i>	<i>Short-term receivables</i>	<i>91 119</i>	<i>2 416</i>	<i>88 703</i>	<i>63 432</i>
C.II.2.1.	Trade receivables	45 255	2 416	42 839	40 883
C.II.2.2.	Receivables - controlled or controlling entity	6 726		6 726	1 696
C.II.2.4.	Receivables - other	39 138		39 138	20 853
C.II.2.4.3.	State - tax receivables	17 948		17 948	3 466
C.II.2.4.4.	Short-term prepayments made	5 876		5 876	12 494
C.II.2.4.5.	Estimated receivables	5 593		5 593	3 515
C.II.2.4.6.	Sundry receivables	9 721		9 721	1 378
<i>C.III.</i>	<i>Current financial assets</i>	<i>2 225</i>		<i>2 225</i>	
C.III.2.	Other current financial assets	2 225		2 225	
<i>C.IV.</i>	<i>Cash</i>	<i>57 887</i>		<i>57 887</i>	<i>12 530</i>
C.IV.1.	Cash on hand	374		374	536
C.IV.2.	Cash at bank	57 513		57 513	11 994
D.	Other assets	236 112		236 112	13 053
D.1.	Deferred expenses	231 585		231 585	6 429
D.3.	Accrued income	4 527		4 527	6 624



		31.12.2019	31.12.2018
	TOTAL LIABILITIES & EQUITY	525 460	600 304
A.	Equity	-298 170	-452 428
<i>A.I.</i>	<i>Share capital</i>	<i>123 462</i>	<i>123 462</i>
A.I.1.	Share capital	123 462	123 462
<i>A.II.</i>	<i>Share premium and capital funds</i>	<i>712 212</i>	<i>708 715</i>
A.II.1.	Share premium	16 310	16 310
A.II.2.	<i>Capital funds</i>	<i>695 902</i>	<i>692 405</i>
A.II.2.1.	Other capital funds	695 902	698 649
A.II.2.2.	Gains or losses from the revaluation of assets and liabilities (+/-)		-4 647
A.II.2.6.	Consolidation reserve fund		-1 597
<i>A.III.</i>	<i>Funds from profit</i>	<i>2 225</i>	
A.III.1.	Other reserve funds	2 225	
<i>A.IV.</i>	<i>Retained earnings (+/-)</i>	<i>-1 284 511</i>	<i>-1 179 545</i>
A.IV.1.	Accumulated profits or losses brought forward (+/-)	-1 282 669	-1 178 398
A.IV.2.	Minority interest in profit or loss of prior years (+/-)	-1 842	-1 147
<i>A.V.</i>	<i>Consolidated profit or loss for the current period (+/-)</i>	<i>146 582</i>	<i>-104 325</i>
A.V.1.	Consolidated profit or loss for the current period attributable to the parent company's shareholders (+/-)	143 982	-103 630
A.V.2.	Minority interest in profit or loss for the current period (+/-)	2 600	-695
<i>A.VI.</i>	<i>Interest in profit under the equity method (+/-)</i>	<i>-871</i>	<i>-2 464</i>
A.VI.1.	Interest in profit or loss for the current period under the equity method attributable to the parent company's shareholders (+/-)	-614	-1 737
A.VI.2.	Minority interest in profit or loss under the equity method (+/-)	-257	-727
<i>A.VIII.</i>	<i>Other minority equity</i>	<i>2 730</i>	<i>1 729</i>
A.VIII.1.	Minority interest in share capital	812	589
A.VIII.2.	Minority interest in other capital funds	1 918	1 140
B.+C.	Liabilities	793 856	1 036 022
B.	Reserves	19 739	16 185
B.IV.	Other reserves	19 739	16 185
C.	Payables	774 117	1 019 837
<i>C.I.</i>	<i>Long-term payables</i>	<i>497 687</i>	<i>652 394</i>
C.I.1.	<i>Bonds issued</i>		
C.I.2.	Payables to credit institutions		305 269
C.I.3.	Long-term prepayments received	18 450	
C.I.6.	Payables - controlled or controlling entity	479 225	
C.I.9.	<i>Payables - other</i>	<i>12</i>	<i>347 125</i>
C.I.9.3.	Sundry payables	12	347 125
<i>C.II.</i>	<i>Short-term payables</i>	<i>276 430</i>	<i>367 443</i>
C.II.1.	<i>Bonds issued</i>		<i>5 753</i>
C.II.1.1.	Convertible bonds		5 753
C.II.2.	Payables to credit institutions	53 155	155 672
C.II.3.	Short-term prepayments received	19 810	17 499
C.II.4.	Trade payables	148 815	141 688
C.II.6.	Payables - controlled or controlling entity	4 700	
C.II.8.	<i>Other payables</i>	<i>49 950</i>	<i>46 831</i>
C.II.8.2.	Short-term financial borrowings	669	7 000
C.II.8.3.	Payables to employees	8 743	7 433
C.II.8.4.	Social security and health insurance payables	4 873	3 410
C.II.8.5.	State - tax payables and subsidies	7 158	5 715
C.II.8.6.	Estimated payables	17 208	4 612
C.II.8.7.	Sundry payables	11 299	18 661
D.	Other liabilities	29 774	16 710
D.1.	Accrued expenses	3 418	7 236
D.2.	Deferred income	26 356	9 474



PROFIT AND LOSS ACCOUNT
structured by the nature of expense method

Leo Express Global a.s.
Corporate ID 290 16 002

Year ended
31.12.2019
(in CZK thousand)

Řehořova 908/4, Žižkov
130 00 Praha 3

		Year ended 31.12.2019	Year ended 31.12.2018
I.	Sales of products and services	830 208	675 683
II.	Sales of goods	41 782	27 393
A.	Purchased consumables and services	725 888	603 204
A.1.	Costs of goods sold	31 210	22 938
A.2.	Consumed material and energy	109 360	60 712
A.3.	Services	585 318	519 554
D.	Staff costs	198 036	152 099
D.1.	Payroll costs	155 277	119 474
D.2.	Social security and health insurance costs and other charges	42 759	32 625
D.2.1.	Social security and health insurance costs	42 185	32 272
D.2.2.	Other charges	574	353
E.	Adjustments to values in operating activities	-396 377	40 799
E.1.	Adjustments to values of intangible and tangible fixed assets	-397 740	40 089
E.1.1.	Adjustments to values of intangible and tangible fixed assets - permanent	40 612	40 089
E.1.2.	Adjustments to values of intangible and tangible fixed assets - temporary	-438 352	
E.3.	Adjustments to values of receivables	1 363	710
III.	Other operating income	688 716	63 017
III.1.	Sales of fixed assets	540 000	1 622
III.2.	Sales of material	19	
III.3.	Sundry operating income	148 697	61 395
F.	Other operating expenses	852 348	27 166
F.1.	Net book value of sold fixed assets	829 268	2 114
F.3.	Taxes and charges	1 603	4 550
F.4.	Reserves relating to operating activities and complex deferred expenses	3 394	4 642
F.5.	Sundry operating expenses	18 083	15 860
*	Operating profit or loss (+/-)	180 811	-57 175
IV.	Income from non-current financial assets - equity investments	12 626	
IV.1.	Income from equity investments - controlled or controlling entity	12 626	
G.	Costs of equity investments sold	2 463	
VI.	Interest income and similar income	3	2
VI.2.	Other interest income and similar income	3	2
J.	Interest expenses and similar expenses	37 695	37 599
J.1.	Interest expenses and similar expenses - controlled or controlling entity	22 816	
J.2.	Other interest expenses and similar expenses	14 879	37 599
VII.	Other financial income	6 458	5 672
K.	Other financial expenses	12 918	17 740
*	Financial profit or loss (+/-)	-33 989	-49 665
**	Profit or loss before tax (+/-)	146 822	-106 840
L.	Income tax	240	-2 515
L.1.	Due income tax	1 674	529
L.2.	Deferred income tax (+/-)	-1 434	-3 044
**	Profit or loss net of tax (+/-)	146 582	-104 325
***	Consolidated profit or loss for the current period (+/-)	146 582	-104 325
*	Net consolidated turnover for the current period	1 579 793	771 767
	Profit or loss for the current period (+/-) attributable to shareholders of the parent company	143 982	-103 630
	Minority interest in profit or loss for the current period (+/-)	2 600	-695
****	Interest in profit or loss under the equity method	-871	-2 464
	Profit or loss for the current period (+/-) attributable to shareholders of the parent company	-614	-1 737
	Minority interest in profit or loss for the current period (+/-)	-257	-727





NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2019

•	Company name:	Leo Express Global a.s.
•	Registered office:	Prague 3 – Žižkov, Řehořova 908/4, 130 00, Czech Republic
•	Corporate ID:	290 16 002
•	Established on:	8 January 2010
•	Registered with:	Municipal Court in Prague, Section B, Insert 15847
•	Legal status:	Joint stock company
•	Share capital:	CZK 123,461,670



1. ACCOUNTING PRINCIPLES AND POLICIES

The consolidating company's accounting books and records are maintained and the consolidated financial statements were prepared in accordance with the Accounting Act 563/1991 Coll., as amended; the Regulation 500/2002 Coll. which provides implementation guidance on certain provisions of the Accounting Act for reporting entities that are businesses maintaining double-entry accounting records, as amended; and Czech Accounting Standards for Businesses, as amended.

The accounting records are maintained in compliance with general accounting principles, specifically the historical cost valuation basis (unless stated otherwise), the accruals principle, the prudence concept and the going concern assumption.

The Group's consolidated financial statements are prepared using the direct consolidation method. Their aim is to give a true and fair view of the assets, liabilities, financial position and profit and loss of the companies that were included in the consolidation group. As a whole, these financial statements serve to inform shareholders and creditors.

The consolidation method chosen is applied continually and consistently to the entities included in the consolidation group.

The full consolidation method was used to include controlled entities in the consolidated financial statements.

The Group's consolidated financial statements have been prepared as of the balance sheet date, i.e. 31 December 2019, for the year ended 31 December 2019.

The consolidated financial statements were prepared on 29th of May 2020.

These consolidated financial statements are presented in thousands of Czech crowns (CZK '000), unless stated otherwise.

Separate financial statements of controlled entities which have their registered office abroad and maintain accounting books and records in a foreign currency are translated at the exchange rate ruling as of 31 December 2019.

1.1. Going Concern Assumption

The Group reported consolidated equity of CZK (298 170) thousand as of 31 December 2019, consolidated operating profit for 2019 of CZK 180 811 thousand, consolidated net profit for 2019 of CZK 146 582 thousand, consolidated current assets of CZK 190 336 thousand and consolidated liabilities of CZK 793 855 thousand.

The funding of the Group was supported by the parent company's shareholders in 2019. On 21 April 2020, the majority shareholder confirmed in writing that as and when necessary, he will undertake maximum efforts, including financial support, to ensure that the Group's companies continue to operate as a going concern and that all of their payables are settled.

In 2020, China, Europe and other places around the world experienced massive spread of coronavirus and as a result, individual states introduced various restrictive measures. At the time of the restrictions set by the government to limit the spread of the viral infection, the Group was forced since mid-March 2020 to temporarily reduce international connections and the rapid decrease in demand led to a significant reduction in domestic lines. It is clear that despite the fulfilment of the business plan in the first part of the year, the Group will be unable to meet its set annual plan for 2020. The Group's management has adopted several cost-saving measures to help overcome the period of temporary lack of revenues, and it expects that once the government measures are discontinued, the Group will continue in the success of the first months of 2020.

As a result, the consolidating company prepared the consolidated financial statements using the going concern assumption.

1.2. Tangible Fixed Assets

Tangible fixed assets include land, structures and tangible assets with an estimated useful life greater than one year and an acquisition cost greater than CZK 40 thousand on an individual basis.

Purchased tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment losses. Tangible fixed assets developed internally are valued at direct costs and incidental costs directly attributable to the internal production of assets (production overheads) and to the production period. Costs of sale are not included.

The following tangible fixed assets are stated at replacement cost: tangible fixed assets acquired through donation, tangible fixed assets acquired without consideration on the basis of a contract to purchase a leased asset (accounted for by a corresponding entry in the relevant accumulated depreciation account), fixed assets recently entered in the accounting records (accounted for by a corresponding entry in the relevant accumulated depreciation account), and an investment of tangible fixed assets. In such a case, replacement cost is determined by an expert opinion.

The cost of fixed asset improvements exceeding CZK 40 thousand for the taxation period increases the acquisition cost of the related tangible fixed asset.

Depreciation is charged so as to write off the cost of tangible fixed assets, other than land and assets under construction, over their estimated useful lives, using the straight-line method, on the following basis:

	Depreciation method	Number of years / %
Train units	Straight-line	30 years
Buildings	Straight-line	10-15 years
Machinery and equipment	Straight-line	2-20 years
Overhauls of chassis	Machine-hour	Based on km

Assets held under finance leases are depreciated by the lessor.

Technical improvements on tangible fixed assets held under a lease are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life.



The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the net book value of the asset at the sale date and is recognised through the profit and loss account.

1.3. Intangible Fixed Assets

Intangible fixed assets primarily include intangible assets arising from research and development, valuable rights and software with an estimated useful life greater than one year and an acquisition cost greater than CZK 60 thousand on an individual basis.

Intangible assets arising from research and development, valuable rights and software are capitalised only if utilised for trading. Intangible assets arising from research and development, software and valuable rights generated internally for the Group's internal needs are not capitalised. Internally generated intangible assets are stated at the lower of internal production costs and replacement cost.

Purchased intangible fixed assets are stated at cost less accumulated amortisation and any recognised impairment losses.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

The cost of fixed asset improvements exceeding CZK 60 thousand for the taxation period increases the acquisition cost of the related intangible fixed asset.

Amortisation of intangible fixed assets is recorded on a straight-line basis over their estimated useful lives as follows:

	Amortisation method	Number of years / %
Software	Straight-line	2
Other intangible fixed assets	Straight-line	3 - 4 years

1.4. Non-Current Financial Assets

Non-current financial assets consist of loans with maturity exceeding one year, securities available for sale and debt securities with maturity over one year held to maturity.

Upon acquisition, securities are carried at cost. The cost of securities includes the direct costs of acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

As of the date of acquisition of securities and equity investments, these non-current financial assets are classified based on their nature as debt securities held to maturity or securities and equity investments available for sale.



As of the date of the consolidated financial statements, non-current financial assets include:

- Equity securities held for trading that are fair valued. Changes in fair value of equity securities held for trading are recognised in profit or loss for the period.
- Debt securities held to maturity are stated at cost plus interest income (including amortisation of any premium or discount).
- Securities and equity investments available for sale are fair valued if the fair value can be determined. Changes in fair value of securities available for sale are accounted for against gains or losses from the revaluation of assets and liabilities as part of the equity in case of a change in fair value which is unlikely to be permanent. If the impairment is likely to be permanent, it is recognised as an expense in the current period. If there is a demonstrable increase in fair value of securities available for sale once the impairment is recognised, the increase in fair value is recognised at the maximum amount of the previously recognised impairment as income for the period.

1.5. Goodwill arising on Consolidation

Goodwill arising on consolidation represents the difference between the acquisition cost of an investment in a subsidiary and its value determined on the basis of the Parent Group's interest in the fair value of equity which arises as a difference of fair values of assets and fair values of liabilities as of the date of acquisition or as of the date of a further capital increase (a further increase of securities or investments). The acquisition date is the date from which the effectively controlling entity starts to exercise influence over the consolidated company. Goodwill arising on consolidation is amortised on a straight line basis over 15 years, unless there are grounds for applying a shorter amortisation period. Goodwill arising on consolidation is charged to consolidation goodwill in expenses on ordinary activities or credited to negative consolidation goodwill in income on ordinary activities as appropriate.

1.6. Derivative Financial Transactions

The consolidating company designates derivative financial instruments as either trading or hedging. The criteria for a derivative instrument to be accounted for as a hedge are as follows:

- At the inception of the hedge, a decision was made regarding hedged items and hedging instruments, the approach to establishing and documenting whether the hedge is effective, and the hedging relationship is formally documented;
- The hedge is highly effective (that is, within a range of 80 percent to 125 percent); and
- The hedge effectiveness can be measured reliably and is assessed on an ongoing basis (Indicate frequency of hedge effectiveness testing: e.g., the Group assesses hedge effectiveness as of the derivative trade date and as of the balance sheet date).

If derivative instruments do not meet the criteria for hedge accounting referred to above, they are treated as trading derivatives.

Derivative financial instruments are carried at fair value as of the consolidated balance sheet date. In determining the fair value, the consolidating company has referred to the market value.



The fair value of financial derivatives is determined as a present value of expected cash flows arising from these transactions. The present value is established on the basis of common market-recognised models. Parameters identified on an active market such as foreign exchange rates, yield curves, volatility of relevant financial instruments, etc. are subsequently included in these pricing models. All financial derivatives having positive fair values are reported as assets, derivatives with negative values are reported as liabilities.

Fair value changes in respect of trading derivatives are recognised as part of profit or loss for the current period.

The accounting treatment for hedging derivatives varies depending upon the hedging relationship which can be:

- a. A fair value hedge; or
- b. A cash flow hedge; or
- c. The hedge of a net investment in a foreign subsidiary or associate undertaking.

A fair value hedge is a hedge of the exposure to changes in the fair value of an asset or liability (or an identified portion of such an asset or liability), or a group of assets or liabilities, that is attributable to a particular risk and that will affect profit or loss.

A hedged item:

- Can be recognised at fair value with gains or losses arising from the measurement being included in income or expenses as appropriate;
- May not be measured at fair value; then in using the fair value hedge the value of this asset or liability is adjusted over the term of the hedge to reflect changes in its fair value attributable to the hedged risks and these changes are recognised through expenses or income at the measurement date according to the nature of the hedged risk (such as interest income or expense, or gains or losses from foreign exchange rate differences);
- Is recognised at fair value with the valuation changes being retained on the balance sheet; then in using the fair value hedge, changes in fair values of the hedged item attributable to the hedged risks over the term of the hedge are re-allocated from this account to expenses or income, according to the nature of the hedged risk.

The same accounts of expenses or income to which changes of fair values of hedged items are recorded are used in accounting for:



- Changes of fair values of hedging instruments if the hedge effectiveness was fulfilled while taking into account aggregate changes of fair values of hedging instruments;

Changes of fair values of hedging instruments attributable to the hedged risk if the hedge effectiveness was fulfilled while taking into account changes of fair values of hedging instruments attributable to the hedged risk. Changes in fair values of hedging instruments that are not attributable to the hedged risk are recorded as expenses or income from derivative transactions as appropriate.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a legally enforceable contract, a forecasted future transaction, groups of assets, groups of liabilities, legally enforceable contracts or forecasted future transactions with similar characteristics where the same type and category of risk is the subject of the hedge. Gains or losses arising over the term of the hedge from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to the hedged risks are retained on the balance sheet. The gains or losses are taken to income or expenses in the same period in which the income or expenses associated with the hedged item are recognised. Gains or losses arising from changes in fair values of hedging derivatives contracted under cash flow hedging that are attributable to unhedged risks are recorded as expenses or income from derivative transactions at the measurement date.

The hedge of a net investment in a foreign subsidiary or associate undertaking is a hedge of the exposure to foreign currency risk arising from these undertakings. Gains or losses arising over the term of the hedge from the changes of fair values of these hedging derivatives attributable to the foreign currency risk are retained in the balance sheet. The gains or losses are recorded as income or expenses in the same period in which the income or expenses associated with the derecognition of the hedged investments in foreign subsidiaries or associates are recognised. Gains or losses arising from changes in fair values of those hedging derivatives that are attributable to other than foreign currency risk are recorded as income or expenses, as appropriate, at the measurement date.

The Group has decided not to account for embedded derivatives.

In the year 2019 the long-term loan that was hedged by financial derivative (a cash flow hedge) was fully repaid. As of 31 December 2019, the Group didn't report any hedging derivatives.

1.7. Inventory

Purchased inventory is valued at acquisition costs. Acquisition cost includes the purchase cost and indirect acquisition costs such as customs fees, freight costs and storage fees, commissions, insurance charges and discounts.

Provisioning

The Group recognised provisions against inventory whose impairment is not deemed permanent.

1.8. Receivables

Upon origination, receivables are stated at their nominal value as subsequently reduced by appropriate provisions for doubtful and bad amounts. Receivables acquired for consideration or through an investment are stated at cost less provisions for doubtful and bad amounts.

Provisioning

Provisions against receivables are recognised if the receivable is more than 360 days past its due date.

1.9. Payables

Payables are stated at their nominal value.

1.10. Loans

Loans are stated at their nominal value. The portion of long-term loans maturing within one year from the consolidated balance sheet date is included in short-term loans.

1.11. Reserves

Reserves are intended to cover liabilities and expenditure the nature of which is clearly defined, and which are either likely to be incurred or certain to be incurred as of the balance sheet date but uncertain as to their amount or as to the date on which they will arise.

The Group recognises a reserve for unused vacation days, which is created based on an analysis of unused vacation days transferred to subsequent years, a reserve for legal disputes, which is created based on an analysis of future expenses in relation to legal disputes, and a reserve related to the Group's loyalty programme.

1.12. Minority Equity

These are liability balance sheet items where minority equity interests in subsidiaries are presented and classified into interest in share capital, capital funds, funds from profit, retained earnings/accumulated losses and profit or loss for the current period.

1.13. Foreign Currency Translation

Given the economic substance of the transactions and the environment in which the Group operates, the Czech crown (CZK), which is also the functional currency of the parent company, is used as the presentation currency for the consolidated financial statements and the balances are rounded to the nearest thousand.

Each company in the Group determines its functional currency according to the environment in which it operates (LEO Express Polska PLN, LEO Express Transportation USD, LEO Express Slovensko EUR, LEO Express GmbH EUR).

Transactions denominated in foreign currencies are translated into the functional currency (Czech crown) based on the effective exchange rate of the Czech National Bank. As of the consolidated balance sheet date, financial assets and liabilities denominated in foreign currencies are translated into the functional currency of each company within the consolidation group using the exchange rate of the Czech National Bank prevailing as of that date. The resulting exchange rate differences are accounted for in profit or loss.

For the purpose of presenting the consolidated financial statements, assets, liabilities, income and expenses of foreign subsidiaries are presented in CZK using the exchange rates prevailing as of the balance sheet date.

1.14. Finance Leases

A finance lease is the acquisition of a tangible fixed asset such that, over or after the contractual lease term, ownership title to the asset transfers from the lessor to the lessee; pending the transfer of title the lessee makes lease payments to the lessor for the asset that are charged to expenses.

Finance lease repayments are expensed as incurred. The initial lump-sum payment related to assets acquired under finance leases is amortised and expensed over the lease period.

Financing of train Stadler Flirt

Raiffeisen – Leasing, s.r.o.	Monthly installment (CZK '000)
September	2 715
October	2 715
November	2 715
December	2 715
Total 2019	10 860
Total 2020	32 556
Total 2021-2029	282 168

1.15. Taxation

1.15.1. Tax Depreciation of Fixed Assets

For the purpose of calculating tax depreciation, the straight-line method is used.

1.15.2. Current Tax Payable

Management of the Group has recognised a tax payable and a tax charge based on its tax calculation which follows from its understanding of the interpretation of national tax legislation valid at the consolidated financial statements date and believes that the amount of tax is correct in compliance with the effective national tax regulations. Since various interpretations of tax laws and regulations by third parties, including state administrative bodies, exist, the income tax payable reported in the Group's consolidated financial statements may change based on the ultimate opinion of the tax authorities.

1.15.3. Deferred Tax

Deferred tax is accounted for using the balance sheet liability method.



The carrying amount of deferred tax assets is reviewed at the consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is charged or credited to the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the related deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset and reported on an aggregate net basis in the balance sheet, except when partial tax assets cannot be offset against partial tax liabilities.

1.16. Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the greater of the net selling price and the value in use. In assessing the value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

1.17. Borrowing Costs

Borrowing costs arising from loans attributable to the acquisition, construction or production of fixed assets are added to the cost of those assets.

1.18. Revenue Recognition

Revenue is measured at the value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax and other sales related taxes.

Sales of services are recognised when the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

The Group is a recipient of compensation for travel fare discounts from the Ministry of Transport. The compensation is intended to reimburse the discounts that the carrier provides to selected groups of passengers pursuant to Act No. 526/1990 Coll., on Prices. The compensation is reported in the period in which the transportation services were provided.

1.19. Use of Estimates

The presentation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management of the Group has made these estimates and assumptions on the basis of all the relevant information available to it. Nevertheless, pursuant to the nature of estimates, the actual results and outcomes in the future may differ from these estimates.

1.20. Cash Flow Statement

In line with Regulation No. 500/2002 Coll., the Group does not prepare the consolidated cash flow statement. Cash equivalents include current liquid assets which are easily convertible into cash in an amount agreed in advance and not expected to be subject to material fluctuations in value over time.

Cash and cash equivalents can be analysed as follows:

	(CZK '000)	
	31.12.2019	31.12.2018
Cash on hand and cash in transit	356	536
Cash at bank	57 513	11 994
Overdraft balances of current accounts included in current bank loans	0	0
Cash equivalents included in current financial assets	18	0
Total cash and cash equivalents	57 887	12 530

1.21. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the parent company and of the entities controlled by the parent company (its subsidiaries).

The parent company controls its subsidiaries if:

- The parent company holds the majority of the voting rights of shareholders or owners of a subsidiary;
- The parent company has the right to appoint or recall most of the members of the administrative, management or supervisory body of the subsidiary and it is simultaneously a shareholder of the subsidiary;

The parent company has the right to exercise controlling influence over a subsidiary where it is a shareholder or owner based on a concluded contract or pursuant to the subsidiary's Articles of Association, Memorandum of Association or Founder's Deed, if the law that the subsidiary is governed by allows it to be subordinated to such contracts or provisions.

The results of any subsidiaries acquired or disposed of by the Group during the year are included in the consolidated profit and loss account from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments

were made to the financial statements of subsidiaries to bring their accounting policies into line with those applied by the parent company. All intra-group transactions, balances, income and expenses were eliminated in full upon consolidation.

The consolidated financial statements were prepared on the basis of the full consolidation method.

The consolidating company prepared these consolidated financial statements in accordance with Czech Accounting Standard No. 020.

1.22. Changes in Accounting Policies

No changes in accounting policies were made in 2019.



2. ADDITIONAL INFORMATION

2.1. Intangible Fixed Assets (Intangible FA)

Cost

					(CZK '000)
	Opening balance	Additions	Disposals	Transfers	Closing balance
Valuable rights/software	15 190	749	2 545	0	13 394
Other intangible FA	1 315	261	0	0	1 576
Positive goodwill arising on consolidation	27	0	27	0	0
Prepayments for intangible FA	0	128	0	0	128
Intangible FA under construction	0	5 986	5 250	0	736
Total in 2019	16 532	7 124	7 822	0	15 834
Total in 2018	14 979	10 602	9 049	0	16 532

Provisions and Accumulated Amortisation

					(CZK '000)
	Opening balance	Additions	Disposals		Closing balance
Valuable rights/software	6 579	5 981	2 545		10 015
Positive goodwill arising on consolidation	27	0	27		0
Other intangible FA	361	198	0		559
Total in 2019	6 967	6 179	2 572		10 574
Total in 2018	2 736	4 231	0		6 967

2.2. Tangible Fixed Assets (Tangible FA)

Cost

					(CZK '000)
	Opening balance	Additions	Disposals	Transfers	Closing balance
Buildings	4 993	0	0	0	4 993
Individual tangible movable assets and their sets	1 105 572	41 890	1 097 371	0	50 091
Prepayments for tangible FA	28 539	19 450	9 506	0	38 483
Tangible FA under construction	2 934	56 306	42 337	0	16 903
Total in 2019	1 142 038	117 646	1 149 214		110 470
Total in 2018	1 144 337	28 295	30 594	0	1 142 038

On 21st of August 2019, the Group sold five Stadler FLIRT train units as a part of a lease-back agreement. In the connection with this transaction, the related fixed assets were disposed at its purchase price amounting CZK 1 039 644.

Provisions and Accumulated Depreciation

					(CZK '000)
	Opening balance	Additions	Disposals		Closing balance
Buildings	1 936	342	0		2 278
Individual tangible movable assets and their sets	664 123	0	649 670		14 453
Total in 2019	666 059	342	649 670		16 731
Total in 2018	631 047	37 886	2 874		666 059



2.3. Long-term Prepayments

As of 31 December 2019, the Group reported long-term prepayments in the amount of CZK 13,532 thousand. Long-term prepayments includes primarily deposits in connection with a long-term lease of vehicles.

2.4. Inventory

As of 31 December 2019, the Group reported inventory amounting CZK 23,511 thousand (as of 31 December 2018: CZK 21,275 thousand).

In the current period, the inventory includes primarily spare parts for the maintenance of Stadler Flirt train units (CZK 21,606 thousand).

2.5. Short-Term Trade Receivables

Receivables past their due dates as of 31 December 2019 amount to CZK 22,755 thousand (as of 31 December 2018: CZK 6,142 thousand).

Aging of trade receivables

Year	Category	Before due date	Past due date					Total past due date	Total
			0 - 90 days	91 - 180 days	181 - 360 days	1 - 2 years	2 and more years		
2019	Gross	22 500	13 680	3 290	1 508	1 495	2 782	22 755	45 255
	Provisions	0	0	0	0	36	2 380	2 416	2 416
	Net	22 500	13 680	3 290	1 508	1 459	403	20 339	42 839
2018	Gross	35 795	1 778	1 327	1 136	995	906	6 142	41 937
	Provisions	0	0	0	0	25	1 029	1 054	1 054
	Net	35 795	1 778	1 327	1 136	970	-123	5 088	40 883

Short-term trade receivables

Company name	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
Beacon Rail Finance SARL	11 856	0
Ministerstvo dopravy České republiky	9 223	15 170
GoEuro Corp.	1 822	1 390
ČSAD SVT Praha, s.r.o.	1 384	313
HEROS Rail Rent GmbH	1 017	73
Other	17 537	23 937
Total short-term trade receivables	42 839	40 883

2.6. Provisions

Provisions reflect temporary impairment of assets. As of 31 December 2019, the Group recognised provisions against receivables in the amount of CZK 2,416 thousand. As of 31 December 2018, provisions against receivables amounted to CZK 1,054 thousand.

Provisioning movements can be analysed as follows:

	(CZK '000)	
	2019	2018
Opening balance at 1 January	1 054	343
Provisioning charge	1 362	711
Release	0	0
Closing balance at 31 December	2 416	1 054

2.7. Short-Term Prepayments

As of 31 December 2019, the Group reported short-term prepayments in the amount of CZK 5,876 thousand. As of 31 December 2018, the short-term prepayments amounted to CZK 12,494 thousand.

In both periods, short-term prepayments primarily include operating prepayments provided.

2.8. Other short-term receivables

As of 31 December 2019, other short-term receivables amount to CZK 9,721 thousand. (as at 31 December 2018, the value of other short-term receivables was CZK 1,378 thousand).

Other short-term receivables consist mainly of receivables from subsidies (CZK 4,242 thousand) and a loan provided to AAKON Capital, s.r.o. (CZK 2,525 thousand).

2.9. Deferred expenses

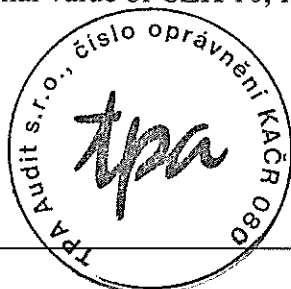
As of 31 December 2019, the Group reported prepaid expenses in the amount of CZK 231,585 thousand. (In 2018, deferred costs amounted to CZK 6,429 thousand).

Deferred expenses in 2019 consist mainly of accrued expenses for the first increased installment due to leasing of FLIRT train units (CZK 183,134 thousand), accrued expenses for the reconstruction of LINT train units, which will be reflected as an increase in train unit rents (10,640 thousand CZK) and accrued costs incurred before the commencement of the operation of contract transport (CZK 36,266 thousand).

2.10. Equity

The Group's equity includes share capital of the consolidating company, contributions outside the Company's share capital (other capital funds), a reserve for cash flow hedges, profit/loss of prior periods and profit/loss of the current period and a share in profit under the equity method. The consolidated equity also includes minority interests.

The share capital is composed of 12,346,167 ordinary registered shares in certificate form in the nominal value of CZK 10, ISIN CZ0008209681.



2.11. Gains and Losses from the Revaluation of Assets and Liabilities

Movements on the 'Gains and losses from the revaluation of assets and liabilities' account:

	(CZK '000)
Balance at 1 Jan 2019	-4 647
Settlement of derivatives hedging future cash flows	4 571
Change in the valuation of an equity investment accounted for using the equity method of accounting	76
Settlement of securities available for sale	0
Change of method in respect of deferred taxation	0
Balance at 31 Dec 2019	0

Gains and losses from the revaluation of assets and liabilities are composed of:

	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
Settlement of derivatives hedging future cash flows	0	-4 571
Change in the valuation of an equity investment accounted for using the equity method of accounting	0	-76
Settlement of securities available for sale	0	0
Change of method in respect of deferred taxation	0	0
Total	0	-4 647

2.12. Reserves

Other reserves

	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
Other reserves (reserve for unused vacation days)	5 606	3 598
Other reserves (legal disputes)	100	2 835
Other reserves (distributed credit)	13 000	9 712
Other reserves (other)	1 033	40
Total other reserves	19 739	16 185

2.13. Long-Term Payables

Long-term payables include payables that are due in more than one year as of the consolidated balance sheet date.

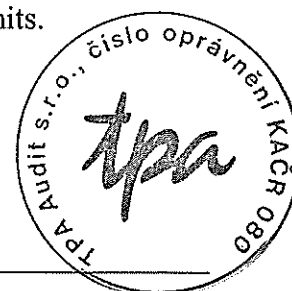
Long-term payables include bank loans described below and sundry long-term payables.

The balance of the loan received from Ing. Leoš Novotný as of 31 December 2019 in the amount of CZK 479,225 thousand. During 2019, Ing. Leoš Novotný became the majority owner of the consolidating company and thus this loan was reclassified from Other liabilities, where it was registered in 2018.

Long-term advances received in the amount of CZK 18,450 thousand are formed by a deposit accepted in connection with the long-term lease of LINT train units.

2.13.1. Collateralised or Otherwise Secured Long-Term Payables

The Group has no long-term liabilities covered by a lien.



2.14. Short-Term Payables

Payables past their due dates as of 31 December 2019 amount to CZK 103,353 thousand (as of 31 December 2018: CZK 98,518 thousand).

As of 31 December 2019, sundry short-term payables amount to CZK 11,299 thousand (as of 31 December 2018: CZK 18,661 thousand). Sundry payables in 2019 predominantly include a loan from company ACEMA Credit Czech, a.s. of CZK 10,253 thousand (2018: CZK 0 thousand).

2.14.1. Short-Term Trade PayablesShort-Term Trade Payables

Company name	(CZK '000)	
	Balance at 31 December 2019	Balance at 31 December 2018
ČMŽO - elektronika s.r.o.	20 810	0
Správa železniční dopravní cesty, státní	11 912	6 723
HEROS Rail Rent GmbH	10 787	4 911
K & W Drive Systems	10 451	0
Others	94 855	130 054
Total short-term payables	148 815	141 688

2.15. Short-Term Prepayments Received

As of 31 December 2019, short-term prepayments received amount to CZK 19,810 thousand (as of 31 December 2018: CZK 17,499 thousand). In both periods, short-term prepayments received primarily include prepayments for the purchase of tickets from companies within the Group.

2.16. Estimated Payables

As of 31 December 2019, estimated payables amount to CZK 17,208 thousand (as of 31 December 2018: CZK 4,612 thousand).

In 2019, estimated liabilities mainly include an estimate for unbilled deliveries.

2.17. Deferred income

As of 31 December 2019, deferred income amount to CZK 26,356 thousand (as of 31 December 2018: CZK 9,474 thousand).

Deferred income mainly include deferred received rent of train unit LINT (CZK 12,300 thousand) and deferred compensations (CZK 3 949 thousand).



2.18. Bank LoansLong-term bank loans include:

(CZK '000)				
Bank/creditor	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral
CREDIT SUISSE AG	CZK	0	305 002	Pledge of trains
UniCredit Leasing CZ, a.s.	CZK	0	267	-
Total		0	305 269	

The portions of the above-stated loans maturing within one year from the consolidated balance sheet date are reported as part of short-term bank loans on the face of the balance sheet.

In 2019, the Group repaid a long-term loan from CREDIT SUISSE AG, the lien on Stadler Flirt train units also expired.

Short-term bank loans include:

(CZK '000)				
Bank/creditor	Currency	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Form of collateral
CREDIT SUISSE AG	CZK	0	101 667	Pledge of trains
ANO SD loan	CZK	28 000	28 000	Pledge of current account
UniCredit Leasing CZ, a.s.	CZK	283	1 000	-
Raiffeisenbank a.s.	CZK	24 872	25 005	Blank bill of exchange
Total		53 155	155 672	

2.19. Derivative Financial Instruments

The cash flow hedging reserve is composed of the gains or losses on the revaluation of derivatives. The Group received a loan with a floating interest rate of PRIBOR 3M + 1.15%. Based on the overall interest rate risk management strategy, the Group requires the hedging of cash flow changes arising from interest rate risks that influence the amount of interest expenses. In line with these requirements, the Group negotiated an interest rate swap with an annual fixed interest rate of 4.33% as part of which the Group is a payer of a fixed interest rate and a payee of a floating interest rate, thereby decreasing the risk of cash flow changes arising from interest payments. The Group does not hedge the interest margin above this rate as it is not affected by the interest rate risk. The Group classified the transaction as the hedging of future interest payments (cash flow hedging).

The positive and negative fair values of financial derivative instruments are reported within 'Other receivables' and 'Other payables', respectively.

The short-term part of financial derivatives is reported in other short-term receivables or payables, the long-term part falls into other long-term receivables or payables.

In 2019, the CREDIT SUISSE AG loan was repaid and thus the above-mentioned swap was settled.

	(CZK '000)			
	Balance at 31 December 2019		Balance at 31 December 2018	
	Positive fair value	Negative fair value	Positive fair value	
Derivatives designated as cash flow hedges – short-term portion	0	0	0	2 640
Derivatives designated as cash flow hedges – long-term portion	0	0	0	1 931
Total	0	0	0	4 571

2.20. Deferred Income Taxation

In 2019, the subsidiary Leo Express s.r.o. increased its deferred tax receivable by CZK 1,434 thousand to CZK 4 479 thousand.

Based on the prudence principle, other companies within the Group did not account for deferred tax asset.



2.21. Income from Ordinary Activities

(CZK '000)

	Year ended 31 December 2019		Year ended 31 December 2018			
	In- country	Cross- border	In- country	Cross- border	In- country	Cross- border
Sales of goods (tickets)	3	0	3	2	0	2
Sales of goods (catering)	29 604	11 432	41 036	23 500	3 880	27 380
Other	0	743	743	11	0	11
Total sales of goods	29 607	11 432	41 782	23 513	3 880	27 393
Advertising	20 728	1 191	21 919	17 730	1 887	19 617
Travel fare	228 935	571 370	800 305	233 991	419 842	653 833
Other	7 984	0	7 984	2 232	1	2 233
Total sales of own products and services	257 647	572 561	830 208	253 953	421 730	675 683

2.22. Consumed Purchases

(CZK '000)

	Year ended 31 December 2019	Year ended 31 December 2018
Consumed material	25 218	23 308
Consumed energy	84 142	37 404
Total consumed purchases	109 360	60 712

2.23. Services

(CZK '000)

Year ended 31 December 2018	Year ended 31 December 2018	Year ended 31 December 2019
Repairs and maintenance	22 203	15 761
Travel expenses	10 510	12 012
Representation costs	220	169
Telephone, fax and internet	10 349	9 808
Low value intangible assets put to use	200	34
Rental / Lease	165 516	6 310
Leases	230	136
Total other services	376 090	486 526
Fee for the use of infrastructure	70 562	137 006
Coach lines, km fee	39 560	46 284
Marketing	17 902	13 657
Interior and exterior cleaning	21 118	13 008
Advisory	17 948	18 847
Commission	5 328	31 832
Other services	203 672	214 690
Total	585 318	519 554

2.24. Employees, Management and Statutory Bodies of the Companies in the Group

The average recalculated headcount for the years ended 31 December 2019 and 31 December 2018 is as follows:

	2019	2018
Managers	11	11
Other employees	306	239
Total	317	250

Total salary costs in 2019 amounted to CZK 155,277 thousand (2018: CZK 119,474 thousand).

In 2019, the Group did not provide any bonuses, advances, prepayments, loans or borrowings to members of statutory, supervisory or administrative bodies.

2.25. Other Operating Income and Expenses

2.25.1. Sundry Operating Income

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Contractual penalties and default interest	69	894
Compensation from the Ministry of Transport	127 196	38 421
Received insurance benefits	3 928	-1 202
Other operating income	17 503	23 282
Total	148 697	61 395

2.25.2. Sundry Operating Expenses

	(CZK '000)	
Year ended 31 December 2018	Year ended 31 December 2019	Year ended 31 December 2018
Gifts	8	1 469
Contractual penalties and default interest	1 756	635
Other penalties and fines	111	16
Insurance	13 173	10 060
Other operating expenses	3 035	3 680
Total	18 083	15 860

2.25.3. Effects of the sale of tangible fixed asset

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Sales of fixed assets	540 000	1 622
Net book value of sold fixed assets	829 268	2 114
Settlement of Adjustments to values of tangible fixed asset	-438 352	0
Profit/loss from the sale of tangible fixed assets	149 084	-491

On 21 August 2019, the Group sold five Stadler FLIRT train units as part of a lease-back agreement.

2.25.4. Impact of the sale of long-term financial assets

On 13 December 2019, the Group sold the share in Hoppy Go s.r.o.. In connection with this transaction the Group reported the profit of sale of share in amount CZK 10,163 thousand

2.25.5. Other Interest Income and Similar Income

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Interest on loans	0	0
Interest on current bank accounts	3	2
Total	3	2

2.26. Interest Expenses and Similar Expenses

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Interest on loans	13 177	33 953
Interest on bank accounts	1 559	37
Interest on bonds	143	500
Other interest expenses	0	3 109
Total	14 879	37 599

As of 31 December 2019, interest expenses arising from the loan from the controlling entity amount to CZK 22,816 thousand (as of 31 December 2018: CZK 0 thousand).

2.27. Other Financial Income

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Foreign exchange rate gains	6 249	5 667
Other financial income	209	5
Total	6 458	5 672

2.28. Other Financial Expenses

	(CZK '000)	
	Year ended 31 December 2019	Year ended 31 December 2018
Foreign exchange rate losses	2 927	6 466
Expenses arising from financial assets	3 607	0
Banking fees	4 100	2 926
Other financial expenses	2 284	8 348
Total	12 918	17 740

2.29. Contingent Liabilities

The Group records a contingent liability in case it loses the litigation with České Dráhy, a.s. due to the predatory pricing policy, where the court of first instance ruled in its ineffective judgment in favour of České Dráhy. The Group appealed against this judgment. The court proceedings have yet to be effectively concluded. For this reason, the contingent liability arising from the payment of potential court fees has not been quantified.

2.30. Fee to the Auditors

In 2019 the remuneration to the statutory auditor was CZK 620 thousand.



2.31. Post Balance Sheet Events

At the time of preparation of these financial statements, various measures are being adopted in the Czech Republic and globally in relation to the fight against the spread of COVID-19 caused by coronavirus SARS-CoV-2. These measures may have direct or indirect impacts on the Group's future economic situation and related valuation of assets and liabilities in 2020. At the time of government measures to limit the spread of the virus, the Group was forced to temporarily suspend all international connections and also to reduce most domestic connections due to significantly lower demand. Revenues of subsidiaries, especially Leo Express s.r.o. and Leo Express GmbH thus achieve only a fraction of standard revenues during this period. As it is currently not possible to estimate what measures will be in place and for how long they will be effective, concrete impacts cannot currently be reliably identified. Nevertheless, based on an evaluation of all currently available information, management of the Group considers that the going concern assumption is not immediately endangered and therefore the use of this assumption in the preparation of the financial statements remains appropriate. All relevant information currently available regarding our assessment of the potential impact of the above measures has been disclosed in the financial statements.

In Prague, on 29th May 2020

Ing. Leoš Novotný
Chairman of the Board of Directors of Leo Express Global a.s.



Independent Auditor's Report

Leo Express Global a.s.

Accounting period
from 1.1.2019 to 31.12.2019

Identification of the Accounting Unit

Company:	Leo Express Global a.s.
Identification No.:	290 16 002
Registered Office:	Řehořova 908/4, 130 00 Praha 3
Legal Form:	Joint Stock Company
File Number:	B 15847, Trade Register Court Prague

TPA Audit s.r.o.
140 00 Praha 4, Antala Staška 2027/79
IČ:602 03 480; C 25463, Městský soud Praha
Tel.: +420 222 826 311, www.tpa-group.cz

The auditor's report is determined for shareholders of the company

Auditor's Opinion

We have audited the accompanying the consolidated financial statements of the company Leo Express Global a.s. and its subsidiaries (the Group) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise of the consolidated balance sheet as at 31.12.2019, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows, for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31.12.2019, and of its consolidated financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to point 1.1. in the Notes to the financial statements according to which the consolidated group had negative equity in the amount of CZK - 298,170 thousand. The Group is dependent upon its owner who expressed his will to continue supporting the Group. In the same point of the Note to financial statement, management of the Company describes the impact of government measures related the spread of COVID-19 pandemic. Due to these measures, the Group will be unable to fulfill its annual plan for 2020. These events in context with other matters described in aforementioned point shows significant (material) uncertainty to going concern of the Group. Our opinion is not qualified in respect of this matter.

Other Information

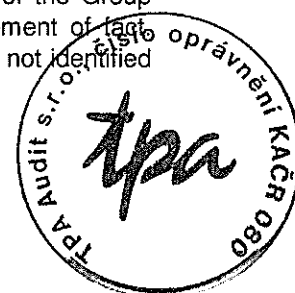
In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the consolidated financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the consolidated financial statements does not cover the other information. In connection with our audit of consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in consolidated financial statements is, in all material respects, consistent with consolidated financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Group obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.



Responsibility of Board of Directors and Supervisory Board for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as statutory body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

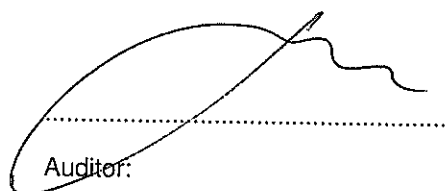
- Identify and assess the risks of material misstatement of consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of consolidated financial statements, including the disclosures, and whether represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

In Prague, on 29.5.2020

A handwritten signature in black ink, consisting of a large loop followed by a series of smaller, connected strokes, positioned above a horizontal dotted line.

Auditor:

Ing. Radek Stein

Certificate No. 2193 KAČR



TPA Audit s.r.o.

Antala Staška 2027/79, Praha 4

Certificate No. 080 KAČR